THE HUNDRED MILLION DOLLAR FOREIGN-TRADE FINANCING CORPORATION[1]

I. INTRODUCTORY

The movement to form a foreign-trade financing corporation with a capital of one hundred million dollars had its origin in the American Bankers Association. In the autumn of 1918, even before the Armistice was signed, the association turned its attention to the future of our foreign trade. At its meeting in September of that year, the association adopted a resolution pledging itself to support "the development of export trade, to encourage manufacturers to enter upon this field of distribution, and to provide as rapidly as possible adequate facilities for financing export operations sufficient to meet every reasonable demand that may arise."[2]

The result of that resolution was the appointment of a Committee of Commerce and Marine, whose duty it was to make a study of the foreign-trade situation, decide what should be done to further our export trade, and report its findings to the association. The chairman of the committee was Mr. John McHugh, vice-president of the Mechanics and Metals National Bank of New York City.

The Committee on Commerce and Marine, appointed in the autumn of 1918, was in existence for two years, during which time it was formulating and developing its plans. Four reports in all were presented to the American Bankers Association. When the Edge Law was first introduced in Congress in the summer of 1919, the committee saw in this bill the means of development

[1] The greater part of the material for this discussion, and especially that part dealing with the campaign for the sale of stock of the corporation, was obtained from the files of the First National Bank of Chicago. I am greatly indebted to the courtesy of Dr. Walter Lichtenstein in giving me access to the material, as well as for his helpful suggestions and criticisms.

[2] Quoted in address by John McHugh before the meeting of Chicago Bankers and Business Men, December 10, 1920.

of our foreign trade. It gave advice in the formulation of the bill and urged its passage. Then, after the Edge Law was passed (December 24, 1919), the committee submitted to the bankers of the country, for their consideration and comment, a plan for a corporation to be organized under that law. Eighty-seven per cent of the bankers who reported approved the plan, and 65 per cent of those who returned favorable replies said that they would recommend that their institutions subscribe for stock.

In the spring of 1920, the Committee on Commerce and Marine made a full report to the executive council of the American Bankers Association on the results of its work, recommending that a foreign-trade financing corporation be organized. The executive council approved this report and appointed a committee of three to work with other organizations in the formulation of a definite plan. The committee of three met with similar committees from the Chamber of Commerce of the United States, and the National Foreign Trade Council. These three committees made up the plan for the Hundred Million Dollar Corporation, called the Foreign Trade Financing Corporation.

When the American Bankers Association met at its convention in Washington in October, 1920, the Committee on Commerce and Marine made its final report, recommending the organization of the Hundred Million Dollar Corporation. The reasons for organizing with a capital of a hundred million dollars were given in the report. American resources would have to be organized on a large scale if the plan were to prove effective. A few dollars here and there would not be sufficient, the report stated; millions upon millions would have to be supplied to finance foreign buyers and to pay the bills of American producers. Moreover, it was urged, one large corporation would be preferable to several small ones. A large corporation would be able to attract the best expert talent. It would have the efficiency attaching to large organizations. Because of its ability to make thorough investigations of all credit risks, it would give the utmost protection to the investor. Its purpose

should be to encourage thrift for saving funds to be invested abroad and to encourage production to supply the resulting demand for our goods. Its large size would the more readily create a market for its debentures. It would be the plan of the corporation to give to every locality the benefit of funds coming out of that locality. This would be done by furthering the export trade of the community through investments in securities of foreign corporations that used the products of that community. A large corporation would command a high degree of public confidence and thus be able to formulate an educational campaign among private investors of America, a campaign for thrift and production. Its size would permit it to establish agencies here and abroad for the conduct of its business; and through these agencies, much helpful information could be furnished American business men regarding foreign demand for American products, also data regarding investment markets and the like.

The plan for the formation of this corporation was approved by the American Bankers Association in October, 1920, when the report was made. The president of the Association was empowered to call a meeting of representative bankers and business men to discuss the plan, and if it appeared advisable, to appoint from their number a committee to take steps to form a Foreign Trade Financing Corporation with an authorized capital of one hundred million dollars. Accordingly, a meeting in Chicago was called for December 10 and 11, 1920.

II. NATURE AND PURPOSE OF THE CORPORATION

The call for the Chicago meeting, which was sent out during the latter part of November, explained the origin of the plan, its nature, and the need for some immediate action. It said that stagnation had developed in the United States for commodities such as wool, sugar, rubber, coffee, leather, certain metals, etc., whereas practically all such commodities were urgently required in other countries. That our foreign trade might be properly financed and that our industries might not face an anxious future with unemployment and unrest, it was

proposed to organize under the Edge Act a Foreign Trade Financing Corporation with a capital of one hundred million dollars. This corporation would have power to borrow on its debentures a billion dollars more, all to be used to finance foreign trade. The call stated that loans of banks were already as great as was advisable, and that a new corporation to extend long-time credits was necessary.

At the Chicago meeting the purpose of the corporation was further explained by the promoters. It was not contemplated that the United States should, through increased loans, go on indefinitely selling to the rest of the world more than was purchased here. That could not happen in any case. As the annual interest grew on our loans to foreign countries and our investments there, it was foreseen, other nations in paying the interest would send more goods than they bought. What was contemplated was the maintenance of our export trade on sound principles, avoiding any sudden changes that might have disastrous consequences. It was observed, too, that this proposed corporation alone would not solve the problem of our foreign trade. It was to be only a beginning, and other corporations of similar nature would have to be organized if a sudden decline of our export trade, with its evil effects on American industry, was to be avoided.

The Chicago meeting, which was attended by more than five hundred bankers and business men from all parts of the United States, indorsed the plan and subscribed $100,000 for preliminary expenses of organization.[1] The corporation, when organized, would repay from its profits the funds thus subscribed. It was the opinion of the meeting that the extension of credit should be confined to countries having a stable government and giving assurance of integrity of purpose, also that the operations of the corporation should be confined to financing for the benefit of future foreign trade.[2] A resolution was passed, authorizing the appointment of a committee to be charged with the responsibility of organizing the corporation.

[1] Philip B. Kennedy, *Ann. Am. Acad.*, March, 1921.

[2] *Chicago Commerce* March 21, 1921, p. 44.

This committee, called the Committee on Organization, was appointed from the leading bankers and business men from all parts of the United States. Its membership at first numbered thirty, and a few other members were appointed in January, 1921, as the campaign began to get under way.[1] From this number an executive committee was appointed to secure the subscriptions to the capital stock and complete the organization. All members served in a voluntary capacity.

Some of the plans were announced before the meeting at Chicago, others after that meeting. The stock was to be sold

[1] The membership of the Committee as given on the prospectus of the Corporation was as follows: John McHugh, *chairman*, vice-president, Mechanics and Metals National Bank, New York City; A. C. Bedford, chairman of the board, Standard Oil Company of New Jersey, New York City; John S. Drum, president, American Bankers Association, San Francisco, California; James B. Forgan, chairman of the board, First National Bank, Chicago, Illinois; Paul M. Warburg, New York City; J. B. Howard, president, American Farm Bureau Federation, Chicago, Illinois; Joseph A. Swalwell, president, Union National Bank, Seattle, Washington; J. G. Culbertson, president, Wichita Motors Company, Wichita Fall, Texas; Arthur Reynolds, president, Continental and Commercial National Bank, Chicago, Illinois; Thomas E. Wilson, president, Wilson and Company, Chicago, Illinois; Lewis E. Pierson, chairman of the board, Irving National Bank, New York City; William C. Redfield, president, American Manufacturers Export Association, New York City; Oscar Wells, president, First National Bank, Birmingham, Alabama; Herbert Myrick, editor-in-chief, *Farm and Home*, Springfield, Massachusetts, *American Agriculturist*, New York City; A. L. Mills, president, First National Bank, Portland, Oregon; Jerome Thralls, secretary-treasurer, Discount Corporation of New York, New York City; Joseph H. Defrees, president, Chamber of Commerce of the United States, Washington, D.C.; Philip Stockton, president, Old Colony Trust Company, Boston, Massachusetts; Julius H. Barnes, president, Barnes-Ames Company, Duluth, Minnesota; Charles H. Sabin, president, Guaranty Trust Company of New York, New York City; George Ed. Smith, president, Royal Typewriter Company, Inc., New York City; Fred I. Kent, vice-president, Bankers Trust Company, New York City; John J. Raskob, vice-president, General Motors Corporation, New York City; Charles A. Hinsch, president, Fifth-Third National Bank, Cincinnati, Ohio; Thomas B. McAdams, vice-president, Merchants National Bank, Richmond, Virginia; Alexander Legge, vice-president and general manager, International Harvester Company, Chicago, Illinois; John S. Lawrence, Lawrence and Company, Boston, Massachusetts; H. M. Swetland, president, United Publishers Corporation, New York City; E. M. Herr, president, Westinghouse Electric and Manufacturing Company, East Pittsburgh, Pennsylvania; Peter W. Goebel, president, Commercial National Bank, Kansas City, Kansas; Roy D. Chapin, president, Hudson Motor Car Company, Detroit, Michigan; John Sherwin, chairman of the board, Union Trust Company, Cleveland, Ohio; F. O. Watts, president, First National Bank in St. Louis, St. Louis, Missouri.

at 105, thus creating a surplus of $5,000,000 to begin with. According to the provisions of the Edge Act, 25 per cent of the capital would be paid in before the corporation began business and 10 per cent every sixty days thereafter. The subscriptions were expected to come from manufacturers, labor organizations, and all classes of people, as well as from national, state, and savings banks. However, it was urged that the subscriptions would be received sooner if the national banks subscribed the entire amount and then disposed of any part they did not care to use as permanent investment. The Federal Reserve System had secured its capital by subscriptions in this way, and the banks were satisfied with that plan. The new corporation was equally as important, and would be as great an achievement in the field of investment banking as the Federal Reserve System had been in the field of commercial banking. It was therefore decided to ask the national banks to subscribe for an amount equal to 6 per cent of their capital and surplus.[1] It may be noted in passing that under the Edge Law, each national bank was permitted to subscribe not to exceed 10 per cent of its capital and surplus.

The national banks, when this plan was put before them, did not, in fact, subscribe in the amounts requested. Accordingly the plan of stock subscription later had to be changed. Under the plan finally evolved the banks were asked to subscribe only for such amounts as they wanted for permanent investment. There were no promoter's shares, no underwriting commissions, and no commissions for the sale of stock. The debentures of the corporation would be sold after organization was completed. The stockholding banks would be its agents in distributing its debentures, for which services they would be paid. None of the capital stock would have to be paid in until the entire hundred millions had been subscribed.

The Board of Directors was to be elected by the stockholders after the subscriptions had been received. The number of directors would be from thirty-six to sixty. They would be representative of all sections of the country, of different inter-

[1] Walter Lichtenstein, *Commercial and Financial Chronicle*, April 23, 1921.

ests, and of a type to inspire confidence in the wisdom of the management. One-third of the directors would retire each year, the term of office being three years. It would be the purpose of the management, first, to conserve the capital investment, second, to make satisfactory earnings thereon, and third, to finance long-term foreign trade credits.

III. THE CAMPAIGN FOR STOCK SUBSCRIPTIONS

Immediately after the Chicago meeting, the Committee on Organization through its executive committee began the work of organization. Subcommittees were constituted on prospectus, stock subscription methods, publicity, and other phases of the work. A speakers bureau was organized. On January 4, announcement was made that temporary quarters have been leased at 66 Broadway, New York. The charter was drawn up and submitted to the Federal Reserve Board for its approval. The charter was approved January 28, and on January 31 the books of the corporation were opened for stock subscriptions. Announcement had already been made as to the proposed officers of the corporation. The presidency was to be offered to Governor W. P. G. Harding of the Federal Reserve Board.[1] The prospectus, explaining the plans of the organization, was sent to 30,000 bankers and to many thousands of manufacturers.

It was hoped to have the corporation organized and ready to begin functioning early in 1921. The wide indorsement received by the plan appeared to indicate that subscriptions would be obtained without great difficulty In July, 1920, the Board of Directors of the American Manufacturers Export Association had indorsed the plan, and in October of the same year, the Board of Directors of the Chamber of Commerce of the United States had indorsed it. Later indorsements came from such organizations as the National Foreign Trade Council, the

[1] The other officers, as proposed, were to be John McHugh, chairman of the Board of Directors; Fred. I. Kent, adviser to the corporation; Jerome Thralls, executive vice-president. Announcement of proposed officers was made in the *Commercial and Financial Chronicle*, January 22, 1921.

National Association of Manufacturers, the American Exporters and Importers Association, and the American Farm Bureau Federation. Many of the leading bankers of New York and other centers sent letters to their customers and correspondents telling them that they had invested in stock of the corporation and commending it as an undertaking that should receive their support.

In February, the New York papers published an account of an interview with a member of the executive committee in which that member stated that he was well satisfied with the progress of the subscriptions to the corporation. It was said that many banks were subscribing and that individuals were showing considerable interest. On February 19, subscriptions received and tentatively in sight were said to total $12,000,000. The campaign was to last ninety days longer. On March 2, the amount of subscriptions was said to be $20,000,000. Cleveland, according to conservative estimate, gave promise of subscribing at least $5,000,000 through its banks, business concerns, and investors. Word came from Los Angeles that $1,500,000 of subscriptions could be counted upon from there. However, the announcement of total subscriptions on March 14 still placed the amount at $20,000,000.[1]

One difficulty that had to be overcome was that in many states banks organized under state law were not permitted to hold stock of the corporation for investment. The executive committee by the first of April secured the removal of the restriction in twenty-six of the twenty-nine states. The response of the legislatures was encouraging.

Additional encouragement was seen in the prospect for business for the new corporation, according to a bulletin published by the committee under date of March 12.[2] A large number of business prospects had already been made to officials of the Foreign Trade Financing Corporation. Agents of foreign purchasers were calling daily at the offices of the new corporation

[1] *Chicago Journal of Commerce*, March 14, 1921.

[2] *Commercial and Financial Chronicle*, March 19, 1921.

at 66 Broadway, it was said, to inquire concerning the prospects of making long-term credits available in the near future. Buyer and seller both apparently saw in the new corporation the hope of checking the trade slump which by this time had become a matter of the gravest concern to all classes of business men.

Meanwhile, the campaign for the sale of stock continued in earnest. Through the speakers bureau, speakers were on hand to expound the advantages of the enterprise on nearly every occasion where the country's foreign commerce was a matter of discussion. One member of the committee on organization within a few weeks' time spoke in Rochester, Buffalo, Cleveland, Detroit, Chicago, Burlington (Iowa), Des Moines, Dubuque, Louisville, and other places. Other members delivered addresses on the subject. The National Association of Manufacturers sent a bulletin to each of its members indorsing the corporation. The American Manufacturing Association gave a page each week in its bulletin to publicity for the corporation, and sent a subscription blank to every member. Similar publicity was given by the Merchants Association of New York in its bulletin and by the National Association of Credit Men in its magazine.[1] Further indorsement of the plan was given by the Mississippi Valley Association at its New Orleans meeting on May 3. On May 27, the Pennsylvania Bankers Association indorsed the plan and urged the members to support it. The Chamber of Commerce of the State of New York on June 7 adopted a resolution calling the attention of its members to the purposes of the Foreign Trade Financing Corporation and urging their assistance in its financing.

Although the corporation was to have begun functioning early in the new year, there was as yet, however, no announcement as regards the beginning of operations. The committee, before June, had apparently come to realize that it would not be possible to form the corporation. We must therefore turn back to see what difficulties were really being encountered and why with all this publicity and promised support the campaign had failed to bring the corporation into active being.

[1] *Wall Street Journal*, April 15, 1921.

IV. DIFFICULTIES ENCOUNTERED

Hardly had the campaign for the sale of stock of the corporation been started when serious objections began to be made. One of the first of these was that the new corporation would compete with foreign exchange departments of the then existing banks. It had been the general understanding that the corporation would deal in securities and long-time obligations only, against which debentures would be issued, and many bankers had given their support in the belief that there would be no competition with their own institutions. However, the prospectus, which was sent out the latter part of January, stated that "an Edge Act corporation may under the law extend long- and short-term credits, invest in securities, purchase bills of exchange, engage in foreign banking, and in every lawful way aid in financing foreign trade."[1]

It was true that the Federal Reserve Board, in its regulations with regard to Edge Law banks, had separated commercial banking from investment banking. One clause forbade such banks to create bankers' acceptances if they had their own obligations outstanding, except as the Board gave express permission. But that regulation could be changed at any time by the Federal Reserve Board, and the temporary certificate issued to the Foreign Trade Financing Corporation indicated that special permission would be given it to deal in acceptances. That certificate said the corporation was "incorporated for the purpose of engaging in the business of international or foreign banking or other international or foreign financing operations." There was every indication, therefore, that the banks dealing in foreign exchange would be setting up a competing institution if they assisted in the organization of the new international bank.

Another question regarding the nature of operations to be engaged in was that of whether the bank should confine its operations to financing future operations, or whether it should attempt to clear up a part of the large unfunded debt then outstanding. The resolution adopted at Chicago in December had stated that the corporation ought to confine its activities

[1] *Commercial and Financial Chronicle*, February 5, 1921, p. 514.

to financing for future trade, but that resolution would not be binding upon the corporation. Its powers were defined by the Edge Act and the Federal Reserve Board regulations. No statements of the Committee on Organization and no resolutions passed beforehand, so it was said by a prominent lawyer, would deprive the corporation of its legal powers. The funds of the corporation could be used in any legal manner the management saw fit to use them. One member of the Committee on Organization said he thought it would be best to use the funds to clear up the situation by extending long credits to liquidate frozen credits already outstanding. He thought that the debtors in connection with the unfunded debt were probably the same parties who wanted to import more from us.

Others saw in this plan an attempt to unload a part of the debt upon investors and to make them stand the loss. It was said that large quantities of goods had been shipped to foreign countries on the basis of discounted acceptances. The goods were still held in warehouses in foreign ports, and with prices continuously falling, heavy losses were being sustained. If the corporation attempted to clear up the acceptances based on these goods, the corporation also stood to lose.

A more fundamental criticism was that the Committee on Organization was attempting to bring into being a huge financial corporation without knowing just exactly how it would function. This criticism was made by a banker of wide influence and no doubt had a great deal to do with the failure to organize the corporation. The Organization Committee, he said, ought to know definitely what sort of bonds were to be purchased, how it would be guaranteed that the funds would be used for the right productive purposes, how the corporation would be able to co-ordinate its power with existing services in the various countries, how far borrowing countries were likely to avail themselves of the scheme, what the cost would be, etc. Reference was made to the report of the committee of the Council of the League of Nations, which early in the year had recommended the Ter Meulen scheme of international credits. The report had said that the League should not set up an expensive organization for the working of the Ter Meulen scheme without any certainty

that borrowers or lenders would make use of it. Likewise it was said that the Council of the League should proceed by gradual stages in the application of the scheme, and should retain for itself liberty to draw back or to modify the plan if necessary. The Foreign Trade Financing Corporation, the banker said, should be guided by the same principle.

The committee should find out how much business would be available for the corporation. It should have definite information at hand with regard to methods and processes to be used before investors should be asked to subscribe for capital on the scale proposed. It ought also to go slow in its financing and be free to change its plans if necessary. This could not be done if one hundred millions of capital were paid in immediately, and other millions were raised on the debentures of the corporation. To make possible a gradual development of plans to meet conditions, an amendment ought to be secured to the Edge Act permitting only a part of the capital to be paid in at the beginning, or else cut down the capital to $10,000,000 or $20,000,000, and thereafter increase it as needed.

The fact that the Ter Meulen plan was being worked out was another reason for going slow with the corporation. If Ter Meulen bonds could be offered as security, the position of the corporation would be stronger. It would be better to wait until the League of Nations decided what it would do. The corporation could best work with the League and utilize its credit investigations. Then, too, our government's foreign policy was not known. The United States had refused to enter the League of Nations and was standing aloof from the other nations politically. To this banker it seemed unwise to form a large corporation to develop further financial ties with European countries when the foreign policy of the United States government was not known. All these facts, it was reasoned, indicated that the committee ought to go slow in its plans, investigate conditions thoroughly, and extend the business of the corporation only gradually.

The position of the executive committee was a difficult one. It replied through one of its members that an investigation of conditions abroad and of the extent to which the finances of the

corporation could be utilized to advantage was not possible, because its organization was voluntary and it did not command the personnel for an investigation. Moreover, the funds that had been subscribed at the Chicago meeting to cover preliminary expenses were fast being exhausted. The corporation had been advertised as a hundred million dollar corporation. Its size had been the basis of much of the publicity, and a great deal was expected of the corporation at home and abroad. The situation seemed to require that the campaign be pushed as rapidly as possible according to the original plans. It was also said, in reply to the objections, that definite business propositions would not come to the corporation until it was organized; and it was therefore difficult to ascertain to what extent the long-term credit facilities would be utilized. Moreover, the whole need was for immediate action. Europe was suffering for goods and our foreign trade was declining, bringing enormous losses. To delay until Europe began to recover would be to wait until the proper time for forming the corporation had passed. However, as we shall see, the plans had to be materially changed soon after the campaign began.

About the middle of February, 1921, it became evident that the plan of stock subscription would have to be changed. The amount of capital might be limited, or Congress might be asked to change the law in regard to demanding an additional 10 per cent every 60 days after the initial 25 per cent payment. Both of these plans were considered at later periods in the campaign. The original idea of asking banks to underwrite all the stock was abandoned early in the campaign, and banks were asked to subscribe only for such amounts as they desired for permanent investment and to receive additional subscriptions from manufacturers and others.

During the latter part of February, the executive committee was compelled to solicit additional funds for organization expenses. An appeal was made to those who had subscribed to the fund at Chicago and to members of the Committee on Organization. The appeal stated that success was in sight, but unless additional funds were raised, the whole plan would

fail and the success already achieved would go for nothing. The call did not bring forth a favorable response.

A leading banker replied by saying that before one billion, one hundred and five millions of dollars were asked of the people, definite information should be given with regard to the sort of business to be done and what securities there were to purchase. Some samples of such business should be cited. It was bad business to pay such an enormous amount of funds into a corporation until business to employ the funds was shown to be at hand. The management of the corporation, no matter how able the men were, would be desirous that the corporation should make a good showing. They would be under pressure to show a profit. They would therefore want to use the funds that were available for them, and if good investments were not to be had, the funds might be used for poor investments. I information were given investors with regard to the business available and the amount of it, the funds would be forthcoming. If the funds of the committee were about exhausted, it was suggested that the remaining amount be used for an investigation of the probable uses to be found for the funds of the corporation. If such investigation could show the need, the organization of the corporation could be completed without difficulty.

This criticism of the plan, coming from a banker of great influence, could not be disregarded. Accordingly it was proposed that there be an Investment Committee with power, first, to call for the payment of the capital as needed, and second, to say when the corporation should begin business. This plan would be possible only provided Congress passed the amendment to the Edge Act permitting capital to be called as needed, and Senator Edge gave assurance that the amendment would be passed. On the basis of this plan, the difficulty was overcome.

As members of this committee, it was decided to appoint the men who constituted the executive committee of the Federal Reserve Advisory Council, because that group of six men seemed to be representative of wide interests and to have a great deal of influence. The new committee was called the Committee on

Policy. Later, Congress passed the amendment to the Edge Act leaving subsequent payments of capital to be paid in at the call of the Board of Directors, after an initial payment of 25 per cent. The amendment became law on June 14 when President Harding signed it.

Meanwhile, the question of reducing the size of the capital was under consideration. It was felt by some that it would be better to reduce the amount of capital of the corporation rather than have the subscribers under a contingent liability for their unpaid subscriptions. Besides, it was becoming more and more evident that the one hundred millions could not be raised under any safeguards that might be placed around the corporation. The *Wall Street Journal* on April 15 stated that the plan to decrease the amount of stock was being seriously considered. The total amount subscribed up to that time was believed to be about $25,000,000. While some of this was conditional upon the whole amount of $100,000,000 being subscribed, it was thought that at least $10,000,000 could be secured if the capital were reduced. No decision seems ever to have been reached with regard to the reduction of the capital.

During the latter part of March and the early part of April, the reports with regard to the corporation became less encouraging. The *Commercial and Financial Chronicle,* which had given a considerable amount of publicity to the corporation, published an editorial on April 2, 1921, entitled "Public Opinion—A Slumbering Giant." This editorial called attention to the failure of the public to subscribe the one hundred millions of capital for the corporation, and said that the capital could easily be raised if farmers' and laborers' organizations and chambers of commerce would get behind the plan. That they could raise the capital was proved by the Liberty Loan campaigns during the war.

The *Chicago Journal of Commerce* on March 30, 1921, stated that the bankers of the Middle West had been a disappointment to the Committee on Organization, sufficient subscriptions not having been received from bankers, manufacturers, and others. A number of misunderstandings had developed with regard to

the purpose of the corporation and its opportunity for foreign investments. To clear up the situation, a meeting was to be held at Chicago on April 5. Two members of the Committee on Organization from New York would be at Chicago to speak. The meeting would probably determine, the report stated, whether or not the plan would be abandoned.

The meeting in Chicago evidently brought little response, because after the meeting there was more talk of abandoning the attempt to form a corporation than there had been before. The *Wall Street Journal* on April 12 stated that the plan was likely to be given up. The reasons given were, first, the scarcity of liquid funds, second, the unsettled conditions in Europe and especially the reparations questions, and third, the belief that the undertaking was too big. The same report stated that British organizations designed to stimulate exports had found it impossible to employ all the funds at their disposal. The criticism that the corporation as planned would have too large a capital thus seemed to be borne out.

A great deal of misunderstanding about the situation in Chicago in regard to the corporation arose as a result of a personal criticism of a leading Chicago banker in the *Chicago Herald Examiner* in its issue of March 12, 1921. The report, evidently published in the Hearst papers in other cities, also, stated that this banker had recently made an attack on the bankers' plan for financing sales of American products abroad, and had sent his attack to thousands of bankers in the Middle West and elsewhere. The result had been that many bankers who had previously indorsed the plan withdrew their support.

The report was untrue, but the Committee on Organization inquired of the banker about his attack, and many bankers wrote to ask for a copy of the bulletin. The banker in question had felt that the organization ought to be delayed, and that not all the plans were wise, but he had made his criticisms to the Committee on Organization and not to others.

Throughout April and May it became increasingly evident that the campaign for the sale of stock was not meeting with success. In June some members of the Committee on Organiza-

tion began to explain why the corporation could not be organized.[1] It was said that people wanted to know whether the Foreign Trade Financing Corporation would operate in the interest of any particular group, and whether it would finance shipments already made or whether it would build for the future. They asked where credit would be extended and why, and what the profit would be on the stock. There was also a sentiment against extending credit to a foreign people. The size of the corporation had also been questioned.

One leading banker stated his disappointment as follows: "The war idealism of this country, could it have continued until now, would have made easy the settlement of such problems as these, but we have now largely dropped away from our notions of idealism, and in all approaches to international problems we are showing the sordidly selfish tendencies of the people of other nations."[2]

Formal announcement that the attempt to form the corporation would be abandoned was not made until the latter part of January, 1922, although it had been known for several months before that the corporation could not be organized. The many criticisms and objections put forward, the failure of the subscription campaign, and the growing severity of the depression showed that the time had not come for the organization of such a corporation. The promoters deserve every credit for their sincerity of purpose and their desire to improve the business situation both in the United States and abroad, but the men who carefully scrutinized the proposal and questioned the advisability of the plan deserve equal credit for having prevented the risking of enormous sums in what might well have been an unfortunate undertaking.

RICHARD N. OWENS

UNIVERSITY OF CHICAGO

[1] Henry M. Robinson of Los Angeles in an address of May 27, 1921; also his address at San Francisco on June 15; F. W. Gehle of New York in an address on June 11, 1921.

[2] Henry M. Robinson, president of First National Bank of Los Angeles, in a San Francisco speech June 15. Quoted in the *Commercial and Financial Chronicle*, June 25, 1921, p. 2696.